

**EAGLE GROVE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

## TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16-17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Notes to Financial Statements	25-33
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	34
Note to Required Supplementary Information - Budgetary Reporting	35
Schedule of Funding Progress for the Retiree Health Plan	36
Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 37-38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	2 39
Schedule of Expenditures of Federal Awards	3 40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	41-42
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45-49

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Randy Hansen	President	2011
Dean Shutt	Vice President	2011
Patricia Manues		2011
Erin Halverson		2013
Jon Rowen		2013
<b>(After September 2011 Election)</b>		
Jon Rowen	President	2013
Patricia Manues	Vice President	2015
Tracy Crail		2015
Erin Halverson		2013
Elaine Schope		2015
<b>School Officials</b>		
Jess Toliver	Superintendent	
Teresa Pohlman	District Secretary/ Treasurer	

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

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our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 29, 2013

# **EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,184,838 in fiscal year 2011 to \$9,395,958 in fiscal year 2012, while General Fund expenditures increased from \$8,650,793 in fiscal year 2011 to \$8,850,571 in fiscal year 2012.
- The increase in General Fund revenues was primarily attributable to increased local taxes, tuition and state revenues. The increase in expenditures was due primarily to normal increases in payroll.
- The statewide sales, services and use tax is being used for debt repayment. Property taxes were levied for the first time in FY12 to pay for the debt.
- The General Fund balance increased by over \$545,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eagle Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eagle Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the Student Activity Funds and a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Eagle Grove Community School District Annual Financial Report**

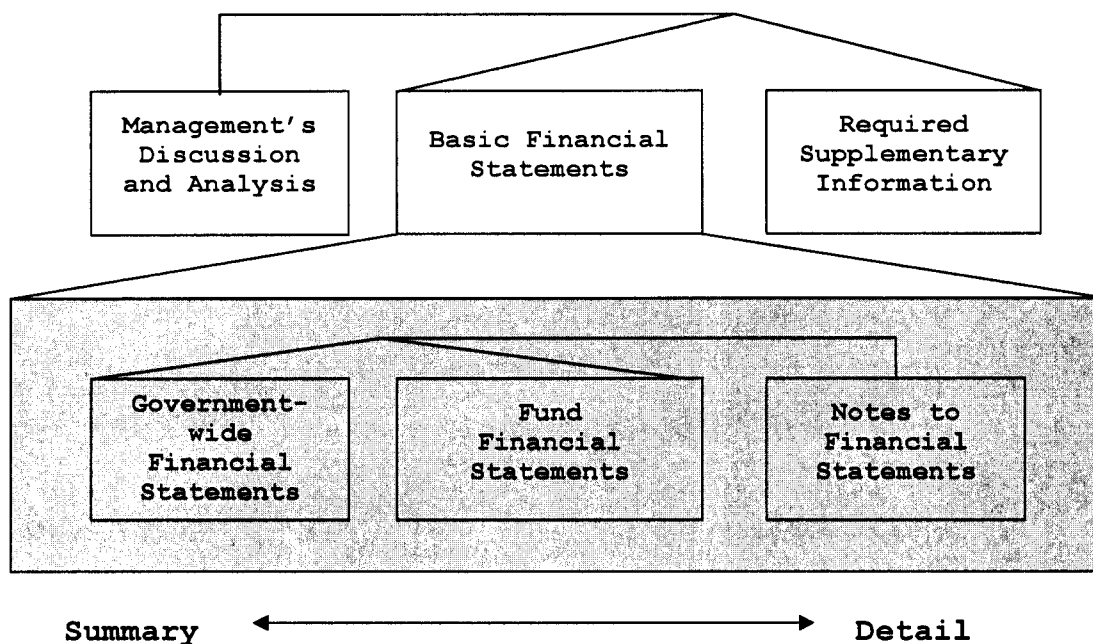


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all governmental and proprietary funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to the year ended 2011.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 6,887	5,760	46	56	6,933	5,816	19.21%
Capital assets	9,495	9,658	18	7	9,513	9,665	-1.57%
Total assets	16,382	15,418	64	63	16,446	15,481	6.23%
Current liabilities	4,109	3,928	-	-	4,109	3,928	4.61%
Non-current liabilities	5,028	5,094	-	-	5,028	5,094	-1.30%
Total liabilities	9,137	9,022	-	-	9,137	9,022	1.27%
Net Assets							
Invested in capital assets, net of related debt	5,205	5,098	18	7	5,223	5,105	2.31%
Restricted	1,359	899	-	-	1,359	899	51.17%
Unrestricted	681	399	46	56	727	455	59.78%
Total net assets	\$ 7,245	6,396	64	63	7,309	6,459	13.16%

Total net assets increased by 13%. The General Fund increased by over \$545,000 resulting in the increase in unrestricted net assets. Capital assets increased slightly, but the District continues to invest funds into equipping and improving facilities.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
Governmental Activities		Business Type Activities		Total District		Total Change	
2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:							
Program revenues:							
Charges for service	\$ 298	222	177	162	475	384	23.70%
Operating grants, contributions and restricted interest	1,949	1,943	320	261	2,269	2,204	2.95%
General revenues:							
Property tax	3,854	3,765	-	-	3,854	3,765	2.36%
Income surtax	173	262	-	-	173	262	-33.97%
Statewide sales, services and use tax	624	570	-	-	624	570	9.47%
Unrestricted state grants	3,815	3,461	-	-	3,815	3,461	10.23%
Unrestricted investment earnings	2	3	-	-	2	3	-33.33%
Other	291	311	-	-	291	311	-6.43%
Total revenues	<u>11,006</u>	<u>10,537</u>	<u>497</u>	<u>423</u>	<u>11,503</u>	<u>10,960</u>	<u>4.95%</u>
Program expenses:							
Governmental activities:							
Instruction	6,575	6,353	-	-	6,575	6,353	3.49%
Support services	2,498	2,549	-	-	2,498	2,549	-2.00%
Non-instructional programs	21	21	496	417	517	438	18.04%
Other expenses	1,063	1,344	-	-	1,063	1,344	-20.91%
Total expenses	<u>10,157</u>	<u>10,267</u>	<u>496</u>	<u>417</u>	<u>10,653</u>	<u>10,684</u>	<u>-0.29%</u>
Change in net assets	<u>\$ 849</u>	<u>270</u>	<u>1</u>	<u>6</u>	<u>850</u>	<u>276</u>	<u>207.97%</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$11,006,618 and expenses were \$10,157,164 for the year ended June 30, 2012. The District's General Fund increased primarily due to cost containment measures.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenditures, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 6,575	6,353	3.49%	4,674	4,556	2.59%
Support services	2,498	2,549	-2.00%	2,471	2,537	-2.60%
Noninstructional programs	21	21	0.00%	21	21	0.00%
Other expenses	1,063	1,344	-20.91%	744	987	-24.62%
Totals	<u>\$ 10,157</u>	<u>10,267</u>	<u>-1.07%</u>	<u>7,910</u>	<u>8,101</u>	<u>-2.36%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$297,918 (\$75,000 increase).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,949,124.
- The net cost of governmental activities was financed with \$3,854,169 in property tax and \$3,814,579 in state foundation aid.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$496,702 and expenses totaled \$495,844. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,581,450; \$984,000 above last year's ending fund balances of \$1,596,537.

## Governmental Fund Highlights

- The General Fund increased over \$545,000.
- The Physical Plant and Equipment Levy was used for regular costs as well as building projects.
- Statewide sales, services and use tax was used for property tax relief, debt repayment and infrastructure projects.

## Proprietary Fund Highlights

The Nutrition Fund works to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Projects and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

### Legal Budgetary Highlights

The District's total actual receipts were approximately \$474,000 greater than the total budgeted receipts. Local and federal sources each were over \$200,000 greater than budgeted.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District exceeded the budgeted amount in the non-instructional programs function, but did not exceed its General Fund unspent authorized budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2012, the District has invested more than \$9.5 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$399,000.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 131	131	-	-	131	131	0.00%
Site improvements	9	12	-	-	9	12	-25.00%
Buildings	9,011	9,302	-	-	9,011	9,302	-3.13%
Furniture and equipment	344	213	5	6	349	219	59.36%
Totals	<u>\$ 9,495</u>	<u>9,658</u>	<u>5</u>	<u>6</u>	<u>9,500</u>	<u>9,664</u>	<u>-1.70%</u>

### Long-Term Debt

The District has \$4,290,000 in outstanding general obligation bonds. The bonds will be repaid with proceeds from the statewide sales, services and use tax in future years as well as property taxes. Early retirement and postemployment benefits are more fully explained in the notes to financial statements.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District began to levy property taxes in fiscal year 2012 to pay for principal and interest on long-term debt.
- The District has been experiencing decreasing enrollment the past several years. Funding for the District is directly related to enrollment levels.
- Inadequate allowable growth prevents expansion of program.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Pohlman, District Secretary, Eagle Grove Community School District, 325 N Commercial, Eagle Grove, IA 50533.

## **Basic Financial Statements**

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,365,593	34,457	2,400,050
Receivables:			
Property tax:			
Current year	47,516	-	47,516
Succeeding year	3,960,661	-	3,960,661
Income surtax	211,869	-	211,869
Due from other governments	150,953	-	150,953
Other receivables	149,558	-	149,558
Inventories	-	11,358	11,358
Capital assets, net of accumulated depreciation	9,495,427	18,292	9,513,719
<b>Total assets</b>	<b>16,381,577</b>	<b>64,107</b>	<b>16,445,684</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	132,170	-	132,170
Accrued interest payable	15,714	-	15,714
Deferred revenue:			
Succeeding year property tax	3,960,661	-	3,960,661
Long term liabilities:			
Portion due within one year:			
Bonds payable	280,000	-	280,000
Early retirement	109,070	-	109,070
Portion due after one year:			
Net OPEB liability	537,384	-	537,384
Early retirement	91,556	-	91,556
Bonds payable	4,010,000	-	4,010,000
<b>Total liabilities</b>	<b>9,136,555</b>	<b>-</b>	<b>9,136,555</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	5,205,427	18,292	5,223,719
Restricted for:			
Categorical funding	191,000	-	191,000
Student activities	79,166	-	79,166
Management levy	112,167	-	112,167
School infrastructure	970,798	-	970,798
Physical plant and equipment levy	2,958	-	2,958
Debt service	2,951	-	2,951
Unrestricted	680,555	45,815	726,370
<b>Total net assets</b>	<b>\$ 7,245,022</b>	<b>64,107</b>	<b>7,309,129</b>

See notes to financial statements.



## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 6,575,073	292,750	1,608,819	(4,673,504)	-	(4,673,504)
Support services:						
Student	210,143	-	-	(210,143)	-	(210,143)
Instructional staff	323,314	-	-	(323,314)	-	(323,314)
Administration	931,986	-	-	(931,986)	-	(931,986)
Operation and maintenance of plant	617,845	-	21,580	(596,265)	-	(596,265)
Transportation	414,708	5,168	-	(409,540)	-	(409,540)
	2,497,996	5,168	21,580	(2,471,248)	-	(2,471,248)
Non-instructional programs						
Community service and education	21,219	-	-	(21,219)	-	(21,219)
Other expenditures:						
Facilities acquisition and construction	149,563	-	1,315	(148,248)	-	(148,248)
Long-term debt interest and services	198,966	-	105	(198,861)	-	(198,861)
AEA flowthrough	317,305	-	317,305	-	-	-
Depreciation (unallocated)	397,042	-	-	(397,042)	-	(397,042)
	1,062,876	-	318,725	(744,151)	-	(744,151)
Total governmental activities	10,157,164	297,918	1,949,124	(7,910,122)	-	(7,910,122)

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service			
Business type activities:					
Non-instructional programs:					
Nutrition services	495,844	177,163	319,539	-	858
Total	\$ 10,653,008	475,081	2,268,663	(7,910,122)	858
					(7,909,264)
General Revenues:					
Property tax levied for:					
General purposes				\$ 3,128,032	-
Management fund				275,244	-
Capital outlay				225,703	-
Debt service				225,190	-
Income surtax				173,114	-
Statewide sales, services and use tax				624,042	-
Unrestricted state grants				3,814,579	-
Unrestricted investment earnings				2,084	-
Other				291,588	-
Total general revenues				8,759,576	-
					8,759,576
Change in net assets			849,454		858
					850,312
Net assets beginning of year				63,249	6,458,817
Net assets end of year				64,107	7,309,129

See notes to financial statements.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		Capital Projects				Total
	General	Student Activity	Management Levy	Statewide Sales	Physical Plant and Equipment	Debt Service	
				Use Tax	Levy		
<b>Assets</b>							
Cash	\$ 1,251,379	79,166	108,546	926,502	-	-	2,365,593
Receivables:							
Property tax:							
Current year	40,954	-	3,604	-	2,958	-	47,516
Succeeding year	3,004,368	-	400,000	-	237,727	318,566	3,960,661
Income surtax	211,869	-	-	-	-	-	211,869
Due from other governments	106,640	-	17	44,296	-	-	150,953
Other receivables	146,607	-	-	-	-	2,951	149,558
<b>Total assets</b>	<b>\$ 4,761,817</b>	<b>79,166</b>	<b>512,167</b>	<b>970,798</b>	<b>240,685</b>	<b>321,517</b>	<b>6,886,150</b>

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy		
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 132,170	-	-	-	-	-	132,170
Deferred revenue:							
Succeeding year property tax	3,004,368	-	400,000	-	237,727	318,566	3,960,661
Income surtax	211,869	-	-	-	-	-	211,869
Total liabilities	3,348,407	-	400,000	-	237,727	318,566	4,304,700
Fund balances:							
Restricted for:							
Categorical funding	191,000	-	-	-	-	-	191,000
Student activities	-	79,166	-	-	-	-	79,166
Management levy	-	-	112,167	-	-	-	112,167
School infrastructure	-	-	-	970,798	-	-	970,798
Physical plant and equipment levy	-	-	-	-	2,958	-	2,958
Debt service	-	-	-	-	-	2,951	2,951
Unassigned	1,222,410	-	-	-	-	-	1,222,410
Total fund balance	1,413,410	79,166	112,167	970,798	2,958	2,951	2,581,450
<b>Total liabilities and fund balances</b>	<b>\$ 4,761,817</b>	<b>79,166</b>	<b>512,167</b>	<b>970,798</b>	<b>240,685</b>	<b>321,517</b>	<b>6,886,150</b>

See notes to financial statements.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 2,581,450
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**Amounts reported for governmental activities in the Statements of Net Assets are different because:**

Income surtax receivable at June 30, 2012 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	211,869
--	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,495,427
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(15,714)
--	----------

Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (4,290,000)	
Net OPEB liability	(537,384)	
Early retirement	<u>(200,626)</u>	<u>(5,028,010)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 7,245,022</u></u>
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## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue		Capital Projects			
		Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Debt Service
	General					Total
Revenues:						
Local sources:						
Local tax	\$ 3,340,505	-	275,244	624,042	225,703	225,190
Tuition	292,750	-	-	-	-	-
Other	364,257	276,840	14,908	1,315	69	-
State sources	4,897,377	-	130	-	106	105
Federal sources	501,069	-	-	-	-	-
Total revenues	9,395,958	276,840	290,282	625,357	225,878	225,295
						4,690,684
						292,750
						657,389
						4,897,718
						501,069
						11,039,610
Expenditures:						
Instruction	6,053,961	265,041	74,968	-	59,669	-
						6,453,639
Support services:						
Student	210,143	-	-	-	-	-
Instructional staff	407,766	-	-	-	-	-
Administration	932,943	-	14,553	-	-	-
Operation and maintenance of plant	513,329	-	104,516	-	-	-
Transportation	393,905	-	13,823	-	11,500	-
	2,458,086	-	132,892	-	11,500	-
						2,602,478
Non-instructional programs:						
Community service and education	21,219	-	-	-	-	-
						21,219

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue		Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy			
Other expenditures:								
Facilities acquisition and construction	-	-	-	-	196,557	-	-	196,557
Long-term debt:								
Principal	-	-	-	-	-	270,000		270,000
Interest	-	-	-	-	-	199,366		199,366
Services	-	-	-	-	-	500		500
AEA flowthrough	317,305	-	-	-	-	-		317,305
	317,305	-	-	-	196,557	469,866		983,728
Total expenditures	8,850,571	265,041	207,860	-	267,726	469,866		10,061,064
Excess (deficiency) of revenues over (under) expenditures	545,387	11,799	82,422	625,357	(41,848)	(244,571)		978,546
Other financing sources (uses):								
Operating transfers in	-	-	-	-	35,921	247,522		283,443
Operating transfers (out)	-	-	-	(283,443)	-	-		(283,443)
Sale of property	-	-	-	-	6,367	-		6,367
	-	-	-	(283,443)	42,288	247,522		6,367
Change in fund balances	545,387	11,799	82,422	341,914	440	2,951		984,913
Fund balances beginning of year	868,023	67,367	29,745	628,884	2,518	-		1,596,537
Fund balances end of year	\$ 1,413,410	79,166	112,167	970,798	2,958	2,951		2,581,450

See notes to financial statements.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E) \$ 984,913

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior fiscal year.

(39,359)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 234,399	
Depreciation expense	<u>(397,042)</u>	(162,643)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Repaid	270,000
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Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(16,196)	
Other postemployment benefits	<u>(188,161)</u>	(204,357)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

900

Change in net assets of governmental activities (Exhibit B) \$ 849,454



## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 34,547
Inventories	11,358
Capital assets, net of accumulated depreciation	<u>18,292</u>
<b>Total assets</b>	<u>64,197</u>
<b>Net assets</b>	
Invested in capital assets	18,292
Unrestricted	<u>45,905</u>
<b>Total net assets</b>	<u><u>\$ 64,197</u></u>

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 177,163
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	122,482
Benefits	43,483
Services	13,816
Supplies	313,628
Depreciation	<u>2,435</u>
Total operating expenses	<u>495,844</u>
Operating (loss)	<u>(318,681)</u>
Non-operating revenues:	
Interest on investments	89
State sources	4,029
Federal sources	<u>315,421</u>
	<u>319,539</u>
Change in fund net assets	858
Net assets beginning of year	<u>63,249</u>
Net assets end of year	<u>\$ 64,107</u>

See notes to financial statements.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 177,163
Cash payments to employees for services	(165,965)
Cash payments to suppliers for goods or services	<u>(300,346)</u>
Net cash (used by) operating activities	<u>(289,148)</u>
Cash flows from non-capital financing activities:	
State grants received	4,029
Federal grants received	<u>291,786</u>
Net cash provided by non-capital financing activities	<u>295,815</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(13,959)
Cash flows from investing activities:	
Interest on investments	<u>89</u>
Net (decrease) in cash and cash equivalents	(7,203)
Cash and cash equivalents beginning of year	<u>41,660</u>
Cash and cash equivalents end of year	<u>\$ 34,457</u>
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>	
Operating (loss)	\$ (318,681)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	2,435
Commodities used	23,635
Decrease in inventory	<u>3,463</u>
	<u>\$ (289,148)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received federal commodities valued at \$23,635.

See notes to financial statements.

# EAGLE GROVE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Eagle Grove Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation as of June 30, 2012 consists of \$191,000.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The District has elected to present all governmental and proprietary funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy, is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund, Statewide Sales, Services and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivables, income surtax and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities is deemed to be immaterial at June 30, 2012.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosure is reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the budgeted amount in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.



**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 131,192	-	-	131,192
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	13,301,751	-	-	13,301,751
Furniture and Equipment	3,021,599	234,399	-	3,255,998
Total capital assets being depreciated	16,549,495	234,399	-	16,783,894
Less accumulated depreciation for:				
Improvements other than buildings	213,525	3,526	-	217,051
Buildings	3,998,791	292,024	-	4,290,815
Furniture and Equipment	2,810,301	101,492	-	2,911,793
Total accumulated depreciation	7,022,617	397,042	-	7,419,659
Total capital assets being depreciated, net	9,526,878	(162,643)	-	9,364,235
Governmental activities, capital assets, net	\$ 9,658,070	(162,643)	-	9,495,427
<b>Business type activities:</b>				
Furniture and Equipment	\$ 24,887	13,959	749	38,097
Less accumulated depreciation	18,119	2,435	749	19,805
Business type activities capital assets, net	\$ 6,768	11,524	-	18,292

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 397,042
Business type activities:	
Food service operations	\$ 2,435

**(4) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 349,223	188,161	-	537,384	-
GO Bonds Payable	4,560,000	-	270,000	4,290,000	280,000
Early Retirement	184,430	92,424	76,228	200,626	109,070
Total	\$ 5,093,653	280,585	346,228	5,028,010	389,070

## Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.00%	\$ 280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	445,000	20,470	465,470
Total		<u>\$4,290,000</u>	<u>1,320,300</u>	<u>5,610,300</u>

### **(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$417,912, \$324,529, and \$324,878 respectively, equal to the required contributions for each year.

### **(6) Risk Management**

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$317,305 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 96 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$208,646
Interest on net OPEB obligation	8,731
Adjustment to annual required contribution	(17,669)
Annual OPEB cost	199,708
Contributions made	(11,547)
Increase in net OPEB obligation	188,161
Net OPEB obligation beginning of year	349,223
Net OPEB obligation end of year	<u>\$537,384</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$11,547 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$182,306	4.2%	\$174,560
June 30, 2011	184,195	5.2	349,223
June 30, 2012	199,708	5.8	537,384

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,521,617, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,521,617. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,311,000 and the ratio of the UAAL to covered payroll was 28.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$10,000 plus a portion of their health insurance for up to 3 years. Early retirement benefits paid during the year ended June 30, 2012 totaled \$76,228.

#### **(9) Related Party Transactions**

The District had \$9,569 of business transactions between the District and District officials during the year ended June 30, 2012. These are described in the Schedule of Findings and Questioned Costs on pages 46-49.

#### **(10) Categorical Funding**

The District's fund balance restricted for categorical funding as of June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
English Language Learning	\$ 80,670
Home School Assistance	18,413
Teacher Supplemental Salary	23,061
Teacher Quality	52,683
Market Factor	5,924
Music Resale	745
PBS	7,650
Elementary Library	1,854
Total	<u>\$191,000</u>

## **Required Supplementary Information**

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 5,640,823	177,252	5,818,075	5,529,664	5,529,664	288,411
State sources	4,897,718	4,029	4,901,747	4,930,621	4,930,621	(28,874)
Federal sources	501,069	315,421	816,490	602,500	602,500	213,990
Total revenues	<u>11,039,610</u>	<u>496,702</u>	<u>11,536,312</u>	<u>11,062,785</u>	<u>11,062,785</u>	<u>473,527</u>
<b>Expenditures/Expenses:</b>						
Instruction	6,453,639	-	6,453,639	7,100,816	7,100,816	647,177
Support services	2,602,478	-	2,602,478	3,210,395	3,210,395	607,917
Non-instructional programs	21,219	495,844	517,063	510,972	510,972	(6,091)
Other expenditures	983,728	-	983,728	1,115,249	1,115,249	131,521
Total expenditures/expenses	<u>10,061,064</u>	<u>495,844</u>	<u>10,556,908</u>	<u>11,937,432</u>	<u>11,937,432</u>	<u>1,380,524</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	978,546	858	979,404	(874,647)	(874,647)	1,854,051
Other financing sources	<u>6,367</u>	<u>-</u>	<u>6,367</u>	<u>-</u>	<u>-</u>	<u>6,367</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	984,913	858	985,771	(874,647)	(874,647)	1,860,418
Balance beginning of year	<u>1,596,537</u>	<u>63,249</u>	<u>1,659,786</u>	<u>1,228,780</u>	<u>1,228,780</u>	<u>431,006</u>
Balance end of year	<u>\$ 2,581,450</u>	<u>64,107</u>	<u>2,645,557</u>	<u>354,133</u>	<u>354,133</u>	<u>2,291,424</u>

See accompanying independent auditor's report.

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed the General Fund unspent authorized budget.

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$1,599	\$1,599	0.0%	\$4,960	32.2%
2011	July 1, 2009	\$0	\$1,599	\$1,599	0.0%	\$5,057	31.6%
2012	July 1, 2009	\$0	\$1,522	\$1,522	0.0%	\$5,311	28.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.



## Supplementary Information

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 713	5,550	3,767	2,496
HS Speech/Drama	242	-	68	174
Trip Fund/Music Department	3,808	27,464	28,348	2,924
Music Concession Account	-	4,059	4,059	-
HS Vocal Music	6,880	6,712	3,742	9,850
HS Band	3,442	3,847	5,030	2,259
HS-MS Music	-	1,469	-	1,469
MS Music	-	-	127	(127)
General Athletic Account	-	2,858	13,894	(11,036)
Concessions	625	-	-	625
Weighlifting	250	4,169	3,719	700
Athletic Uniforms	585	-	-	585
HS Boys Basketball	-	5,351	4,658	693
MS Boys Basketball	-	-	390	(390)
Boys Basketball Camp	-	-	264	(264)
HS Football	-	24,156	26,049	(1,893)
MS Football	-	-	1,447	(1,447)
Football Camp	3,253	8,631	8,517	3,367
Baseball	-	558	6,595	(6,037)
Baseball Camp	713	194	-	907
HS Cross Country	-	765	907	(142)
HS Cross Country Extracurricular	1,293	300	649	944
HS Boys Track	-	4,547	5,185	(638)
HS Boys Track Camp	-	2,045	1,904	141
MS Boys Track	-	205	253	(48)
HS Boys Golf	-	80	166	(86)
HS Boys Golf Camp	1,539	175	1,230	484
HS Wrestling	-	6,709	5,180	1,529
HS Wrestling Camp	85	2,185	1,443	827
MS Wrestling	-	-	140	(140)
HS Girls Basketball	-	5,958	2,691	3,267
Girls Basketball Camp	167	1,848	1,705	310
MS Girls Basketball	-	-	325	(325)
Volleyball Camp	886	624	546	964
HS Volleyball	-	4,032	3,065	967
MS Volleyball	-	-	148	(148)
Softball	-	180	3,542	(3,362)
Softball Camp	933	1,000	1,000	933
HS Girls Cross Country	-	1,244	1,509	(265)
HS Girls Cross Country Extracurricular	-	2,353	2,355	(2)
HS Girls Track	-	2,515	3,103	(588)
MS Girls Track	-	165	303	(138)
MS Girls Track Camp	-	-	246	(246)
HS Girls Golf	-	280	227	53
HS Girls Golf Camp	379	175	-	554

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Cheerleading	-	1,525	959	566
HS Annual	-	7,191	18,775	(11,584)
Book Fair	1,050	5,514	6,070	494
Student Extracurricular	789	-	-	789
HS Student Fundraising	7,753	4,950	7,013	5,690
Physics Project	-	6,799	6,899	(100)
MS Greenhouse	-	550	-	550
Student Activity Tickets	-	4,620	240	4,380
Adult Activity Tickets	-	975	-	975
Special Olympics	569	1,481	1,143	907
MS Student Senate	8,143	19,377	9,873	17,647
MS Student Fundraising	(9,988)	13,128	-	3,140
Elementary Student Fundraising	2,673	9,013	-	11,686
Destination Imagination	540	-	-	540
Cheerleaders	-	1,714	1,530	184
Drill Team	4,990	6,182	9,596	1,576
FFA	3,876	5,668	2,827	6,717
Spanish Club	5,364	740	130	5,974
National Honor Society	1,407	8,801	7,968	2,240
FBLA	2,381	33,483	30,683	5,181
FCCLA	640	1,536	1,108	1,068
HS Student Senate	532	2,364	1,581	1,315
FCS Businesses	3,889	2,191	1,366	4,714
Robert Blue School Yearbook	3,527	765	749	3,543
Class of 2013	1,564	4,360	6,160	(236)
Class of 2014	106	782	45	843
Class of 2012	77	-	13	64
Class of 2015	-	203	125	78
Class of 2010	692	-	692	-
Class of 2011	1,000	-	1,000	-
General Activity	-	525	-	525
Totals	<u>\$ 67,367</u>	<u>276,840</u>	<u>265,041</u>	<u>79,166</u>

See accompanying independent auditor's report.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>									
Local sources:									
Local tax	\$ 4,690,684	4,545,168	4,016,623	3,864,910	3,714,402	3,415,934	3,021,844	2,742,246	2,674,602
Tuition	292,750	222,348	202,561	200,552	153,399	155,590	138,627	125,970	75,470
Other	657,389	654,632	528,738	531,107	931,412	601,514	474,317	789,654	536,334
State sources	4,897,718	4,555,222	4,256,625	4,716,189	4,578,364	4,373,571	4,129,322	4,498,530	4,007,474
Federal sources	501,069	509,072	954,696	301,262	446,280	503,406	650,792	303,023	304,138
Total	<u>\$11,039,610</u>	<u>10,486,442</u>	<u>9,959,243</u>	<u>9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>	<u>7,598,018</u>
<b>Expenditures:</b>									
Instruction	\$ 6,453,639	6,041,008	5,927,846	5,824,414	5,640,039	5,498,933	5,165,387	4,705,343	4,521,003
Support services:									
Student	210,143	226,454	192,508	185,593	183,056	201,185	186,211	252,973	274,259
Instructional staff	407,766	574,544	389,257	420,163	394,818	372,808	326,432	420,245	393,046
Administration	947,496	887,432	903,747	790,151	1,369,699	996,747	915,737	880,991	976,983
Operation and maintenance of plant	617,845	651,489	601,659	593,304	679,055	797,636	718,919	679,021	581,850
Transportation	419,228	384,484	265,094	408,963	363,824	289,766	365,263	254,764	280,667
Non-instructional programs	21,219	20,907	18,427	20,096	175,824	244,747	238,275	289,015	252,935
Other expenditures:									
Facilities acquisition	196,557	291,633	463,118	420,054	266,149	1,682,711	4,722,310	1,526,687	93,694
Debt service:									
Principal	270,000	260,000	255,000	250,000	235,000	225,000	231,000	257,000	22,000
Interest and services	199,866	213,916	215,966	223,316	230,366	237,316	244,045	231,385	2,826
AEA flowthrough	317,305	353,121	352,900	311,957	301,638	293,439	277,832	277,089	278,690
Total	<u>\$10,061,064</u>	<u>9,904,988</u>	<u>9,585,522</u>	<u>9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>	<u>7,677,953</u>

See accompanying independent auditor's report.

## EAGLE GROVE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 45,509
Food Distribution (non-cash)	10.555	FY12	23,635
National School Lunch Program	10.555	FY12	210,711
Summer Food Program for Children	10.559	FY12	20,884
			<u>300,739</u>
 Fresh Fruit and Vegetable Program	 10.582	 FY12	 18,132
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	157,723
Improving Teacher Quality States Grants	84.367	FY12	31,933
Grants for Assessments and Related Activities	84.369	FY12	4,914
Vocational Education - Basic Grants to States	84.048	FY12	7,756
Education Jobs Fund	84.410	FY12	136,504
Area Education Agency 8:			
Learning Supports	84.027	FY12	1,482
Special Education - Grants to States (IDEA Part B)	84.027	FY12	42,415
Total			<u>\$ 701,598</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Eagle Grove Community School District:

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Eagle Grove Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

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Clarion, IA 50525

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## Compliance and Other Matters


As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 29, 2013

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Eagle Grove Community School District:

#### Compliance

We have audited the Eagle Grove Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eagle Grove Community School District's major federal programs for the year ended June 30, 2012. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion, Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Eagle Grove Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 29, 2013

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
  - CFDA Number 84.367 - Improving Teacher Quality States Grants
  - CFDA Number 10.553: School Breakfast Program
  - CFDA Number 10.555: National School Lunch Program
  - CFDA Number 10.559: Summer Meal Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 84.367: Improving Teacher Quality States Grants  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through Iowa Department of Education

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Meal Program for Children  
Federal Award Year: 2012  
US Department of Agriculture  
Passed through Iowa Department of Education

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the certified budgeted amount in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - Future budgets will be amended in a timely manner and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

- IV-B-12 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-F-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-G-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen Board Member	Supplies	\$9,569

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Rowen exceed the \$2,500 limit allowed by Iowa law.

Recommendation - The District should consult legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

- IV-H-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-J-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-L-12 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 628,884
Revenues/transfers in:		
Sales tax revenues	\$624,042	
Other local revenues	<u>1,315</u>	<u>625,357</u>
		1,254,241
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		<u>283,443</u>
Ending balance		\$ <u>970,798</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ <u>1.19</u>	\$ <u>283,443</u>

IV-M-12 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2012.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.